intimates that further legislation of a regulative character may prove desirable (p. 262). Aside from this point, the reviewer must add that from the time when he first heard these suggestions several years ago such further study as he has been able to give the question has only confirmed him in the conclusion that Professor Wyman has made a very valuable contribution toward the solution of this troublesome question, and one which, because of the less prominent and accessible form in which it was presented, has never received the attention to which it is entitled. It is as a contribution, however, rather than as a finally complete and effective solution of the question that it will have to be regarded. To the reviewer's mind, at least, a thoroughly effective plan of procedure must be somewhat broader in scope and will need to go deeper down nearer the real roots of the evil in its point of attack. The suggestions here made, nevertheless, may well form a part of this more comprehensive scheme. It is therefore most sincerely to be hoped that in the more elaborate presentation in book form they will receive that careful consideration which they so unquestionably deserve.

CHESTER W. WRIGHT

THE UNIVERSITY OF CHICAGO

Monopoly and Competition: A Study in English Industrial Organization. By HERMANN LEVY. London: Macmillan, 1911. 8vo, pp. xviii+33. $3.25.

Its timeliness and importance fully justify the speedy translation of this addition to trust literature, which appeared first in 1909 under the title *Monopole, Kartelle und Trusts.*

Two theses are here propounded, explained, illustrated, and emphasized by an abundance of facts, new and old, borrowed and discovered, presented clearly and repeatedly. The main idea running throughout the work is that the historical alternation of monopoly and competition is an economic necessity. The second theme is the qualifying explanation of the delayed arrival of monopolistic conditions in England. That country has lagged behind Germany and the United States in the main because of three facts: free trade; the comparative insignificance of freight charges due to the small size of the country and the low cost of ocean transportation; and the absence of mineral deposits that could be readily controlled and made the basis of monopoly. Within the limits set by these conditions the favorable influences working toward monopoly are the concentration of undertakings, the relative lowness

of domestic costs of production, the manufacture of special qualities, traditional dexterity, and international agreements.

The first part of the volume discusses the monopolies of the sixteenth and seventeenth centuries: the legal monopolies granted by the Crown and protected by law; the natural monopolies with capitalistic features such as the coal and tin production; and the handicrafts that passed under monopolistic control through the capitalistic influence due to the enlargement of the business unit. "In many cases the decisive influence was the extension of markets and the consequential increase in production (p. 15): an interesting parallel to Professor Commons' citation of the shoe trade as an illustration that industrial capitalism does not necessarily depend upon the adoption of mechanical appliances in industry. "The special form of organization which was characteristic of this early industrial capitalism up to the end of the seventeenth century was the monopoly" (p. 16). The check it placed upon the expansion of England's industrial productivity resulted in agitation that has a modern ring.

The chapter on German development points to the lateness of the extinction of monopolies there as compared to England and the differences due to the contrast between a consolidated England and the separate states of Germany.

The era when faith in the power of free competition prevailed is described in Part II. The coal cartels and the copper monopoly are considered in some detail, especially the first. This monopoly, the articles of agreement of which are printed in the Appendix, rested upon the compactness of the area around Newcastle and superior advantages in water transportation to the chief market, London, as well as abroad. Regulation of total output, with an apportionment to each mine of its share, and co-operation with the London Coal Ring of dealers were the features of the scheme. But high prices led to the opening of new mines while the railroads and canals gave easy access to markets so that the cartel broke up in 1844; a collapse regarded then as "a fresh proof of the correctness of the classical economists' doctrine of competition" (p. 166).

The competitive conditions generally prevalent during most of the nineteenth century in all but a few industries were back of the theory quoted from Professor Edgeworth: "Competition is an almost ineradicable growth of self-interested human nature." This competition was relied upon to protect the consumer against extortionate prices and to advance the technique of industry with an accompanying reduction of

cost and improvement in quality. Against such comfortable hope Professor Levy arrays the data in this book.

"It is remarkable that English political economy at the end of the eighteenth century was not aware of the contrast between the forms assumed by capitalistic industry in England throughout the eighteenth century, and both that which it had taken in the seventeenth century and that which it was then taking on the Continent. Neither Sir James Stewart nor . . . . Adam Smith dealt with the abolition of the former industrial monopolies in England, or in any way drew attention to its importance for the industrial development of their own day and country. Both know only trading monopolies or monopolistic civic corporations" (p. 92). To them industry organized on the basis of free competition "seemed something quite natural, and they regarded it neither as the remarkable result of a struggle which raged a century before, nor as a special form of industrial organization, unknown at that time in any other land. They had not the least idea what a rare form of organization it was" (p. 93). With the exception of some neglected reservations by Adam Smith and John Stuart Mill, the general notion prevailed that competition was the normal, and monopoly or combination the rare and abnormal economic condition. If they had studied the history of the previous century the author thinks they would not have been so likely to generalize from merely their own experience and state as universal truth what was, with negligible exceptions as they thought, true of their own period and country. There is no reason for our making the same error with the advantage that time has given us of seeing a new situation in British industry. We ought to be able to see that the monopoly of the sixteenth and seventeenth centuries gave way to the competition of the eighteenth and nineteenth centuries and that it in turn is yielding to a return of monopoly in the twentieth century. Neither competition nor monopoly is "normal." In the alternating current of economic history it is the oscillation from competition to monopoly and from monopoly to competition that is "normal."

In this belief Professor Levy, using data largely borrowed from other writers, undertakes in the third part of his book an examination of "the modern organization of English industry on a monopolistic basis," not so much to learn why it has developed monopolistic features as to discover why it did not become monopolistic sooner. "The industry of Great Britain offers the most convenient starting-point for such an examination, as many important trades which in other countries

are worked on monopolist lines are here still subject to competition" (p. 173).

The explanation that the objection to cartels and trusts in England is due to the extreme individualism of the captains of industry does not have much to stand on in view of the attempts in the coal cartel, the copper monopoly, the booksellers' cartel in the thirties, and various syndicates, alliances, and shipping rings that have existed from time to time. It has not been the will but the favorable external conditions that have been lacking. The important basis of mineral deposits that can be readily controlled as well as areas of production such as the coal and iron districts of Germany and the United States are not found in England. She has no monopoly advantage over other countries in any mineral whatever. Her coal is widely scattered and owned. Iron ore can be imported at will; the same is true of other minerals. Free trade and the general absence of protective effects of freights stand in the way of successful combination in the case of finishing industries. In some cases where manufacturers have enjoyed the advantage of distinctive brands they resisted all attempts at combination; though other instances have occurred where a concentration already existed and combination readily followed, especially where the brands stood in the way of new competitors. The need for vertical combinations is not so great in England because it is easy to secure raw material, or the partially finished goods desired, from abroad. Often "dumping" prices can be obtained that are lower than it would cost to produce the commodity. Where trained manual labor is of relatively more importance than machinery the small unit persists, as in the tin-plate industry. In the cases where horizontal combination has taken place the usual economies are sought; in buying, construction, and organization of works, and freights. When horizontal combination has proceeded far enough it readily leads to vertical combination.

In the light of two main conditions, relative freedom from foreign competition and completeness of domestic combination, Professor Levy examines in some detail the chief existing cartels and trusts. The precarious freedom from foreign competition depends often on the limited protection due to freight charges, the periods of prosperity of foreign, protected syndicates that enable them to sell their output without dumping in England, and the inferior quality of some foreign-made goods or substitutes. The exemptions are more secure where imports are difficult for technical reasons or when the home trade is decisively

superior in quality and lower in cost or in the cases in which international agreements prevail. Climatic conditions as in textiles and traditional skill as in tin-plate production cut some figure.

In the matter of combination to secure protection against home competition "the secret lies in the ratio of existing competition to the advantages to be attained" (p. 291). The greater the advantage the earlier the competitors will unite, provided there is a prospect that the monopoly profit can be maintained. The possible profit is likely to be smaller in England than in protected countries with their tariff barriers.

The effect of combinations on price is hard to estimate: comparison with foreign prices does not throw much light on their relative heights. Greater steadiness on a higher level than the earlier competitive conditions produced is common. Dumping has been practiced in markets sufficiently distant to make the freight charges a protection against reimportation. Some trusts have announced that "price-cutting" would be abolished; others that they would not "assume the rôle of monopolists"; the spirit cartel proposed to prevent "the depression of prices"; a projected trust was declared not to be aiming at an "artificial level of prices"; an effort was being made in another case to remedy conditions where prices had been "unduly depressed by unfair and immoderate competition." All in all the situation is not particularly promising to the consumer.

The situation now is a condition of competition reduced to semimonopoly; a return of capitalism to the form of organization of its infancy in the sixteenth and seventeenth centuries, with patent differences as a matter of course. The era of competition is passing and we see "the beginning for a second time of an age of industrial monopoly" (p. 291). This development even trained Englishmen are slow to recognize, doubtless because the effects have not been sufficiently marked to provoke popular opposition.

As an account of English economic experience in the particular aspect treated the book is one of merit, interesting, enlightening, and persuasive. The author has succeeded in what he set out to do. Doubtless Professor Levy does not intend to convince his readers of any particular periodicity of competition and monopoly, such as the recurrence of sun-spots for instance. He certainly puts further aside any reassuring trust in the sufficient prevalence of socially beneficial competition.

C. C. ARBUTHNOT

WESTERN RESERVE UNIVERSITY